

1 VIRGINIA:

2 IN THE COUNTY OF WASHINGTON

3 VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

4 VIRGINIA GAS AND OIL BOARD

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9 MAY 15, 2001

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12 APPEARANCES:

13 DENNIS GARBIS, PUBLIC MEMBER

14 MAX LEWIS, PUBLIC MEMBER

15 MASON BRENT, ACTING CHAIRMAN

16 CLYDE KING, PUBLIC MEMBER

17 SANDRA RIGGS, ASSISTANT ATTORNEY GENERAL

18 GARY EIDE, INSPECTOR FOR THE DMME and ACTING FOR THE DIRECTOR
19 OF THE DIVISION OF GAS & OIL AND ACTING PRINCIPAL EXECUTIVE
20 TO THE STAFF OF THE BOARD
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6 MASON BRENT: Okay, if we're ready we'll get
7 started. It's a little after 9:00 o'clock. Time to get
8 going. Good morning. My name is Mason Brent. I'll be
9 standing today as Chairman of our meeting for Benny Wampler,
10 who had other business that took him elsewhere this morning.
11 I will ask my fellow Board members and the staff to
12 introduce themselves, beginning to my left over here with Mr.
13 Garbis.

14 DENNIS GARBIS: My name is Dennis Garbis. I'm a
15 public member from Fairfax County.

16 MAX LEWIS: My name's Max Lewis. I'm a public
17 member from Buchanan County.

18 SANDRA RIGGS: I'm Sandra Riggs, Assistant Attorney
19 General, and I'm here to advise the Board.

20 CLYDE KING: My name is Clyde King, a public member
21 from Washington County. Welcome to Washington County.

22 GARY EIDE: I'm Gary Eide. I'm an inspector for the
23 Division of Gas and Oil. I'm sitting in for Bob Wilson, who

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1 is the Director of the Division of Gas and Oil and is
2 Executive to the staff of the Board.

3 MASON BRENT: So, the veterans aren't here and
4 you'll have to put up with the rookies.

5 Okay, the first item on our agenda, the Board will
6 consider a petition from Equitable Production Company under
7 Section 45.1-361.22 for pooling of a coalbed methane unit
8 under the Nora Coalbed Gas Field Order and identified as
9 VC-4527 located in the Hurricane District, Prater Quadrangle,
10 Buchanan County, Virginia. This is docket number VGOB-00-
11 11/21-0848. So, I'll ask all the parties interested in
12 participating in this hearing to please come forward at this
13 time.

14 MARK SWARTZ: Mark Swartz.

15 MASON BRENT: Mark Swartz.

16 JIM KISER: Mr. Chairman, Jim Kiser on behalf of
17 Equitable Production Company. We have a...some conflicting
18 information still as to the location of one of the tracts on
19 this unit. We'd ask that this matter be continued until the
20 June docket so that we can continue towards working that out.
21 I think we've probably got it worked out. It's going to
22 involve us having to notice some additional claimants; and we
23 can have that accomplished and then go forward with this

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1 hearing at the June docket.

2 MASON BRENT: Okay. Do we have any objections to
3 that continuance?

4 MARK SWARTZ: No.

5 MASON BRENT: Okay. It's continued until June. The
6 next item on our agenda the Board will consider is a petition
7 from Buchanan Production under Section 45.1-361.22 for
8 pooling of a coalbed methane unit under the Oakwood Coalbed
9 Methane Gas Field I Order and identified as YYY-21 located in
10 the South Grundy District, Patterson Quadrangle, Buchanan
11 County, Virginia. This is docket number VGOB-00-12/19-0851.
12 This is continued from April. I'd ask the parties---

13 MARK SWARTZ: Mark Swartz and Les Arrington on that
14 one.

15 JIM KISER: Jim Kiser on behalf Equitable Production
16 Company.

17 MASON BRENT: Anyone else?

18 (No audible response.)

19 MASON BRENT: Okay. You may proceed.

20 JIM KISER: Mr. Chairman, before we get started,
21 we'd ask that this matter be continued until the June docket
22 for two reasons. As we stated at the hearing on March the
23 19th, the two operators having interest within the unit,
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1 Consol and Equitable, agreed to get together and try to work
2 out an agreement, a voluntary agreement, regarding the
3 development of units in this particular area where both
4 operators had an interest. We had a meeting on April the 4th
5 in which representatives of both companies were present.
6 Consol graciously agreed to review their proposed wells and
7 drilling plans in the area in order to make a proposal to
8 Equitable. In addition, during that time period, they asked
9 us for our plans for the area where we reiterated the point
10 that we made at the April 4th hearing was that what we were
11 interested in looking at as a model for this area, and
12 possibly for other areas, was to take the wells that they had
13 proposed and which are contested and then...and propose
14 a...or submit a proposal for the development of those units.
15 But to also take the Rogers' lease, which is Equitable's
16 3,800 acre lease in this same area, and take the peripheral,
17 or the boundaries of that lease, and identify the units where
18 both operators had an interest so that we could come up with
19 some fair and reasonable plan to co-develop the area that was
20 fair not only to both operators, but also to the royalty
21 interest owners. They submitted a proposal to us on May the
22 9th, six days ago, that addressed some of the issues, but we
23 don't feel like it addressed all the issues. And also, we

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1 have some problem with an exhibit that was attached as to the
2 location of the Rogers' acreage.

3 Now, Equitable is willing to take a proactive role
4 in trying to get a voluntary agreement worked out prior to
5 the next Board's hearing on June the 19th. In addition to
6 that, I feel it's important that, given the substantive
7 nature of the issues that are involved in this well, that,
8 and given the fact that some decision as to the determination
9 as to the issues will be made at least at the administrative
10 level by this Board, that the form in which these issues are
11 heard include not only the Board members that are present
12 today but also the Chairman of the Board, Mr. Wampler, and
13 the Director of the Division of Gas and Oil, Mr. Wilson. So,
14 for those two reasons, we'd ask that YYY-21 be continued.

15 MASON BRENT: Mr. Swartz?

16 MARK SWARTZ: We would strenuously object to a
17 continuance and I'll just give you three reasons. We filed
18 this application and it was set for the December, 2000
19 hearing. So, although it was continued to today, it has been
20 continued now for something on the order of six months. We
21 have waited patiently for proposals from Equitable with
22 regard to what they had in mind with regard to the Rogers'
23 acreage. We have met over that. We have talked on the phone
24

1 over that. The reason we submitted a proposal on May the 9th
2 is we never got a proposal at all, you know, other than one
3 phone conversation where we were told, well, just draw a line
4 around the entire Rogers's lease. Well, that's a compromise.
5 So, I have some level of optimism based on the response,
6 although limited to our proposal of May the 9th, that maybe
7 we can continue to work and, you know, not have to be in
8 front of you contesting applications. But I'm not optimistic
9 we're going to be here in June with a settlement based on
10 what has happened over the last five months. So, although
11 we'll continue to do that, I don't think it's reasonable to
12 assume we'll have worked this out by June and we've been
13 waiting for five months.

14 The next reason, the initial continuance that we
15 agreed to was because Equitable brought to our attention some
16 notice issues that were legitimate issues that we were
17 concerned about. We have explored those issues. We have
18 renoticed and amended a number of the exhibits here and we
19 will share that information with you if we can proceed this
20 morning in terms that we feel like we've cured the notice
21 issues that were first raised, which caused us to continue
22 this in the first place.

23 And lastly, we're talking about 4 1/2% interest in
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1 this unit. It has really gotten to the point where we're,
2 you know, tail wagging the dog issue. I mean, we're not
3 trying to pull, we've got 10% and they've got 90. You know,
4 but get to this, you know, we'll talk about what our reaction
5 as a company has been to minimum interest that we're going to
6 pool.

7 So, for three reasons: One, it has been a long time
8 and I'm not optimistic that we're going to resolve it by
9 settlement by June. We have resolved the notice issues which
10 were legitimate which were raised; thirdly, we're talking
11 about a relatively small interest here. They'll have a right
12 to participate and, you know, they have a right to
13 participate in this hearing. But I feel it's only fair to
14 let us get off (inaudible) and move forward. So, I would
15 resist the motion to continue on those...for those reasons.

16 JIM KISER: Let me just respond to those...two of
17 those things. First of all the...unless I was just in the
18 wrong room, I think on April the 4th, and admirably so,
19 Consol took the initiative that they would produce the first
20 proposal. He says he has been waiting for five months for a
21 proposal from us. I don't quite understand that.

22 And then the second thing when he says it only
23 involves a 4 1/2% interest. It actually involves...Equitable
24

1 actually has somewhere between a 10.6625 and a 12.1318
2 interest in the unit and not 4%. So, it is a little bit
3 greater than what he thinks it is.

4 Once again, we'd ask that it be continued. We do
5 have some confidence that it could be worked out.

6 MASON BRENT: Does anyone have any questions? Mr.
7 Garbis?

8 DENNIS GARBIS: I think in the past our...at least
9 if I can recall correctly, our attitude has been that we'll
10 give everyone the opportunity to...if they request a
11 continuance to give them the chance to do whatever they need
12 to do. In fact, it's a larger (inaudible) of no consequence
13 to me, and, therefore, I think we...I would much prefer to
14 have you settle it, you know, your way and work it out
15 amongst yourselves rather than have the government do it for
16 you. So, my preference would be to give them a continuance
17 and let them work it out and have it altogether when they
18 come before the Board next month. And that would be a
19 motion, Mr. Chairman.

20 MAX LEWIS: I second it.

21 MASON BRENT: Okay. We have a motion and a second
22 for a continuance to June. Is there any further discussion?

23 (No audible response.)

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1 MASON BRENT: All in favor, signify by saying yes.
2 (All members signify yes.)
3 MASON BRENT: Opposed?
4 (No audible response.)
5 MASON BRENT: It's continued until June. And we
6 will hear it in June.
7 MARK SWARTZ: Okay. So, we will hear it in June.
8 Is that part of the motion?
9 (No audible response.)
10 MASON BRENT: Okay, the next item on our agenda, the
11 Board will reconvene VGOB docket VGOB-91-05/21-0120, Q-35,
12 for consideration of applications filed by certain claimants
13 for the calculation and thereafter disbursement to them of
14 funds on deposit in the drilling unit escrow account based
15 upon said claimants' stipulated settlement of their
16 conflicting claims to the ownership of coalbed methane gas
17 production allocable to certain tracts wherein they own coal
18 and gas rights, docket VGOB-91-05/21-0120-01. I'll ask all
19 the parties interested in this matter to come forward at this
20 time.
21 MARK SWARTZ: Mark Swartz and Les Arrington. When
22 Les and Anita started digging into the accounting for Q-35,
23 they discovered that we've got some unresolved title issues
24

1 that need to be resolved prior to that occurrence. How much
2 time do you feel like you need?

3 LESLIE ARRINGTON: We'll file it Friday for hearing
4 in June.

5 MARK SWARTZ: Okay. So, Les, is going to file some
6 supplemental information by Friday and believes that he will
7 be ready to come in June. Is that what you're saying?

8 LESLIE ARRINGTON: That's correct, we would.

9 MARK SWARTZ: So, we would ask a continuance to the
10 June docket for that reason and we're apparently pretty
11 confident we'll be able to hear it in June.

12 MASON BRENT: Okay.

13 SANDRA RIGGS: Was this disbursement generated by
14 the filing of a supplemental order for a split agreement? Is
15 that what brought it on?

16 LESLIE ARRINGTON: It was...it was brought on and
17 then after we started to looking into it, we had some
18 conflicting information there. We will---.

19 SANDRA RIGGS: Okay. So, they've got to amend the
20 supplemental order at this point?

21 LESLIE ARRINGTON: Yes. It will be amended.

22 MASON BRENT: Any objections to the continuance?

23 (No audible response.)

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1 MASON BRENT: Okay, hearing none, it is continued to
2 June.

3 SANDRA RIGGS: I had one question. Last month we
4 had some disbursements for Clayborne as well and you all were
5 to resolve the corporate capacity versus the individual
6 capacity. Have we resolved that yet?

7 (Leslie Arrington confers with his assistant.)

8 LESLIE ARRINGTON: Okay, we're still waiting on the
9 information. But we will---.

10 SANDRA RIGGS: Because I'm holding the disbursements
11 from last month until we resolve how that interest is held.
12 I think the split agreement was signed by Ron Clayborne,
13 individually.

14 LESLIE ARRINGTON: It was.

15 SANDRA RIGGS: And the title work shows it's in a
16 corporation. So, we needed to resolve that.

17 LESLIE ARRINGTON: Okay. We'll have that.

18 MASON BRENT: Okay. Anything else?

19 (No audible response.)

20 MASON BRENT: Okay, the next item on our agenda, the
21 Board will consider a petition from Buchanan Production
22 Company under Section 45.1-361.22 for pooling of a coalbed
23 methane unit under the Oakwood Coalbed Methane Gas Field I

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1 order and identified as B-31 located in the Garden District,
2 Patterson Quadrangle, Buchanan County, Virginia. This is
3 docket number VGOB-01-03/20-0880, continued from April. I'll
4 ask all parties interested in this matter to come forward at
5 this time.

6 MARK SWARTZ: Mark Swartz and Les Arrington.

7 JIM KISER: Jim Kiser on behalf of Equitable
8 Production Company.

9 DON JOHNSON: Don Johnson on behalf of the Lon B.
10 Rogers Bradshaw Trust.

11 MASON BRENT: Okay, Mr.---.

12 MARK SWARTZ: We would move to continue this one to
13 June. We've got some notice issues.

14 DON JOHNSON: No objection.

15 JIM KISER: No objection.

16 MASON BRENT: No objection. Any objection from the
17 Board?

18 (No audible response.)

19 MASON BRENT: Okay, hearing none, it's continued
20 until June.

21 CLYDE KING: We're whizzing through these things.

22 MASON BRENT: Why don't we, in the---?

23 MAX LEWIS: I think I'll be here in June.

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1 MASON BRENT: ---interest of saving some time---?
2 CLYDE KING: We're going to wear this paperwork out
3 carrying it back and forth.
4 MASON BRENT: In the interest of saving some time, I
5 think what I'll do at this point is ask the parties that are
6 on this docket to come forward at this point and tell me what
7 else they have they would like continued so that we can
8 handle that and get down to the real business. Mr. Swartz,
9 do you have anything else on this agenda that you're going
10 to---?
11 MARK SWARTZ: I have seven and nine, which are AV-
12 116 and AW-116, the Dora Dye Heirs are a huge group of people
13 that we are still trying to get addresses and identify and so
14 we've got---.
15 MASON BRENT: Okay. Well, just give me the ones you
16 want and I'll call them---.
17 MARK SWARTZ: Okay, seven and nine, and twelve and
18 thirteen.
19 CLYDE KING: Twelve and two?
20 MARK SWARTZ: Thirteen.
21 MASON BRENT: Thirteen. Okay, and is that all that
22 you're going to want to continue beyond---?
23 MARK SWARTZ: Beyond what we've spoken about
24

1 earlier.

2 MASON BRENT: ---what we've already done?

3 MARK SWARTZ: Correct.

4 MASON BRENT: Okay. I'm going to call those.

5 MARK SWARTZ: Okay.

6 MASON BRENT: Okay. The Board will consider a
7 petition from Pocahontas Gas Partnership under Section
8 45.---.

9 DON JOHNSON: Mr. Chairman---?

10 MASON BRENT: Yes. I'm sorry.

11 JIM KISER: Well, I have one, too; one more.

12 DON JOHNSON: I've got one that I want to move to
13 continue.

14 MASON BRENT: Okay, can I take---?

15 DON JOHNSON: And all the parties here are involved
16 in that.

17 JIM KISER: And I've got one I want to...well,
18 actually two of them.

19 MASON BRENT: Well, can I take his and then get to
20 your all's?

21 JIM KISER: If you want to clean up the docket now
22 and then go back to whoever's turn it is. I thought that was
23 what you wanted to do.

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1 DON JOHNSON: I thought that was what you wanted to
2 do.
3 MASON BRENT: I do want to clean up the docket.
4 JIM KISER: Okay.
5 MASON BRENT: I was just going to clear these and
6 then---.
7 JIM KISER: Okay. Well, see, I would actually be
8 next on number five.
9 MASON BRENT: All right. Well, then go ahead and
10 give me yours and we'll do them all.
11 JIM KISER: Okay, that's a disbursement from escrow
12 and we'd talked with...we'd like that to be continued to
13 June. We talked with attorney Henry---.
14 SANDRA RIGGS: Is that Henry Keuling-Stout?
15 JIM KISER: That's Henry Keuling-Stout. He's still
16 waiting on some additional information from Virginia Gas and
17 we need to provide him with some additional information and
18 provide it to the Board, also.
19 MASON BRENT: Okay, well, let's...okay, and what
20 else?
21 DON JOHNSON: Number eleven on the docket, C-32.
22 This is the first time that we have requested a continuance
23 on this as a new matter. The...there is a notice problem, we
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1 believe, as to one of the owners of the coal, gas, coalbed
2 methane, who has been left off of the notice. Also, we
3 believe this is a very important hearing and with all due
4 respect to the Board, we would appreciate the presence of Mr.
5 Wampler and the Director for this hearing. And for those
6 reasons, we ask for a continuance of C-32, number eleven.

7 JIM KISER: And, Mr. Chairman, I'd support that
8 motion too. We have...Equitable Production Company has an
9 interest in that unit and this well falls within the five
10 wells that we're talking about that also are involved in this
11 voluntary agreement for this area that we're trying to work
12 out that we talked about on YYY-21.

13 MASON BRENT: Well, you can't support the motion
14 until I call it.

15 JIM KISER: Oh, I'm sorry. Well, I agree with his
16 motion for a continuance in that---.

17 CLYDE KING: We've got a parliamentarian here today.

18 JIM KISER: -for the same...for the same...for the
19 same reasons that we sought a continuance on YYY-21
20 (inaudible).

21 CLYDE KING: This group is getting smart.

22 MASON BRENT: Okay, let me just go ahead and call of
23 these. Do we have them all now?

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1 JIM KISER: That's all from us, I think.

2 MASON BRENT: Mr. Swartz, we've got them all now?

3 MARK SWARTZ: You bet.

4 MASON BRENT: All right. I'm going to call these
5 and then we'll take up those issues. The Virginia Gas and
6 Oil Board will reconvene VGOB docket VGOB-94-10/24-0481-01,
7 unit P-308, for further consideration of applications filed
8 by certain claimants for the calculation and thereafter
9 disbursement to them for funds on deposit in the drilling
10 unit escrow account based upon said claimants stipulated
11 settlement of their conflicting claims to the ownership of
12 coalbed methane gas production applicable to certain tracts
13 wherein they own coal and gas rights. This is VGOB-94-10-24
14 0481/...excuse me, -02 continued from April.

15 At the same time, we will call a petition from
16 Pocahontas Gas Partnership under Section 45.1-361.22 for
17 pooling of a coalbed methane unit under the Middle Ridge I
18 Coalbed Methane Gas Field Order and identified as AV-116
19 located in the New Garden District, Honaker Quadrangle of
20 Russell County, Virginia. Docket Number VGOB-01-01/16-0855.
21 This too was continued from April.

22 We will also call a petition from Pocahontas Gas
23 Partnership under Section 45.1-361.22 for pooling of a
24

1 coalbed methane unit under the Middle Ridge I Coalbed Methane
2 Gas Field Order and identified as AW-116 located in the New
3 Garden District, Honaker Quadrangle of Russell County,
4 Virginia. Docket Number VGOB-01-01/16-0858.

5 We will also call at this time a petition from
6 Buchanan Production Company under Section 45.1-361.22 for
7 pooling of a coalbed methane unit under the Oakwood Coalbed
8 Methane Gas Field I Order and identified as C-32 located in
9 the Garden District, Patterson Quadrangle of Buchanan County,
10 Virginia. Docket Number VGOB-01-05/15-0889.

11 I will also call a petition from Buchanan
12 Production Company under Section 45.1-361.22 for pooling of a
13 coalbed methane unit under the Oakwood Coalbed Methane Gas
14 Field I Order and identified as J-38 located in the Garden
15 District, Keen Mountain Quadrangle of Buchanan County,
16 Virginia. Docket Number VGOB-01-05/15-0890.

17 And finally, we will also call at this time a
18 petition from Buchanan Production Company under Section 45.1-
19 361.22 for pooling of a coalbed methane unit under the
20 Oakwood Coalbed Methane Gas Field I Order and identified as
21 J-39 located in the Garden District, Keen Mountain Quadrangle
22 of Buchanan County, Virginia. Docket Number VGOB-01-05/15-
23 0891.

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1 CLYDE KING: Mr. Chairman, I'd move that we approve
2 these.
3 MASON BRENT: Well, let's back up here to agenda
4 number five.
5 CLYDE KING: Are they all ready? I thought we got
6 them all. Excuse me.
7 MASON BRENT: Do you want that continued?
8 JIM KISER: That would be mine. We would ask
9 that---.
10 MASON BRENT: Oh, I'm sorry.
11 JIM KISER: I don't have a problem with number five.
12 MASON BRENT: Okay.
13 JIM KISER: For reasons stated earlier, we'd ask
14 that one be continued until June so that we have all the
15 proper information.
16 MASON BRENT: Any objections to---?
17 JIM KISER: And I think Mr. Stout requested a
18 continuance, also.
19 MASON BRENT: Okay, hearing no objections, we'll
20 continue...we'll continue that until June. That's number
21 five.
22 CLYDE KING: Yeah.
23 MASON BRENT: Item number seven is VGOB-01-01/16-
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1 0855.

2 MARK SWARTZ: My request for a continuance with
3 regard to docket item seven and nine which you have just
4 called is the same. It's based on title issues with regard
5 to the people that are identified collectively as the Dora
6 Dye heirs. We've got address issues and identification
7 issues and I would request that we have a continuance for
8 that reason on those two.

9 MASON BRENT: Any objections?

10 (No audible response.)

11 MASON BRENT: Hearing none, they're continued until
12 June. Docket number eleven, VGOB-01-05/15-0889.

13 DON JOHNSON: As I previously stated to the Board,
14 this is a...this is the first time that I've appeared on
15 behalf of the Lon B. Rogers Bradshaw Trust with regard to
16 this well, or this pooling application. We ask for a
17 continuance. We believe that there is a notice problem with
18 regard to one of the owners of an interest in the well and we
19 believe that this matter is a matter of importance to us all.
20 Our lessee is working...our coalbed methane lessee, which is
21 Equitable Production, is working towards an agreement on this
22 matter and we want them to have adequate time to see if
23 something can be worked out, as well as the other issues that

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1 I've mentioned. For those reasons, I ask the Board to
2 continue it.

3 MASON BRENT: Okay.

4 JIM KISER: We would join in that request for a
5 continuance for the reasons that we've stated and were given
6 a continuance for YYY-21.

7 MASON BRENT: Okay. Any objections?

8 MARK SWARTZ: Yes. When we not...this pertains to
9 Mr. Johnson's motion. When we noticed C-32, we took a list
10 that his client's engineer gave us at a pool...at a permit
11 hearing in front of Mr. Wilson when the objection was noticed
12 and they gave us a document that was a list of the folks that
13 Mr. Earle Whitt, who was appearing on behalf of the Rogers
14 who are the owners here, and said these...you have a notice
15 issue. If you notify these people, you're okay. We used the
16 list that we were given by Equitable's lessor at that hearing
17 to notice this and I would like to have Mr. Johnson tell me
18 today so that I don't get back here in June because I feel
19 like the Board has telegraphed its adjournment today. But I
20 would like to have Mr. Johnson tell me today who it is he
21 claims I haven't noticed so if it's something that we
22 perceive to be a legitimate concern, we can fix it by June so
23 I don't come back here and have to deal with that. So, I

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1 would appreciate it if the Board is inclined to do this...if
2 not, we'll address these issues today. But, if the Board is
3 inclined to continue this, I would make...I would request
4 that it be contingent upon Mr. Johnson telling us now what
5 the notice issue he's raising is.

6 DON JOHNSON: Mr. Swartz, I have already told you
7 who the person is. It's Derrick Rodgers who was on the list
8 that you were given by Mr. Whitt, and if you will notice Mr.
9 Rodgers, you'll be all right. I also want to point out to
10 the Board that it is the operator's duty, not the lessee or
11 lessor of adjoining properties, to come up with a list of who
12 ought to be given notice to. However, we have attempted to
13 cooperate with the operator in this instance and have given
14 him a list and if they haven't followed the list, then, you
15 know, there's nothing I can do about it. But the man's name
16 is Derrick Rodgers and he's on the list that Mr. Whitt gave
17 you.

18 MARK SWARTZ: Are you sure of that?

19 DON JOHNSON: Yes, sir. I believe maybe at the
20 time...the time that the list or the document you were given
21 was produced Mr. Rodgers was a minor but he has since reached
22 majority since then.

23 MARK SWARTZ: I'm show...I've passed down to you the
24

1 list that we got from Mr. Whitt at the pooling hearing and
2 is...are you telling me that that list...we should add
3 Derrick Rodgers to those names and then we'll be square?

4 DON JOHNSON: I think...I think what has happened is
5 that this talks about Mr. Payner being the trustee for Mr.
6 Rodgers when, in fact, Mr. Rodgers has reached majority. Mr.
7 Whitt is here and would be glad to assist Mr. Swartz and his
8 client.

9 MARK SWARTZ: And that's your only notice concern?

10 DON JOHNSON: That's the only notice concern there
11 was.

12 MARK SWARTZ: Okay.

13 MASON BRENT: Any questions from the Board?

14 (No audible response.)

15 MASON BRENT: Okay. We will continue that until
16 June.

17 CLYDE KING: I withdraw my motion. I think I made a
18 motion. But I withdraw it. We've got enough of them
19 continued.

20 MASON BRENT: I'm sorry. Okay, agenda item number
21 twelve, VGOB-01-05/15-0890. Does someone want to continue
22 that?

23 MARK SWARTZ: And J-39 is the same issue.

24

--

1 MASON BRENT: Twelve and Thirteen continued to June?
2 MARK SWARTZ: Yes. Yes.
3 MASON BRENT: Any objections?
4 (No audible response.)
5 MASON BRENT: Okay, those two items will be
6 continued until June. I sure hope we have a quorum in June.
7 KATHERINE JEWELL: May I ask why those are being
8 continued, or what the problem is?
9 MASON BRENT: If you'd like to address the Board,
10 you're welcome to come forward and introduce yourself.
11 KATHERINE JEWELL: Okay, I'm Katherine Jewell.
12 MASON BRENT: Can you come down here so she can hear
13 you?
14 KATHERINE JEWELL: I'm Katherine Jewell,
15 representing my father, A. B. Jewell, and I just would like
16 to know what the continuation is for and...is it a
17 notification problem or what?
18 LESLIE ARRINGTON: It is a notification problem. We
19 have two lists for A. B. Jewell. One is the group of heirs
20 and one is a group of heirs and two additional people, and we
21 failed to notice the two additional people.
22 KATHERINE JEWELL: Okay, that's what I thought.
23 LESLIE ARRINGTON: And that's what...we just picked
24

1 up the wrong list.

2 KATHERINE JEWELL: Okay, so, the continuation is
3 going to be when?

4 LESLIE ARRINGTON: It will be June---.

5 MASON BRENT: June.

6 SANDRA RIGGS: The third Tuesday.

7 MASON BRENT: That's the third Tuesday.

8 KATHERINE JEWELL: It will be the third Tuesday in
9 June. Thanks. There's quite a few days in June. I didn't
10 want to guess. Okay, thanks.

11 MASON BRENT: Yes, ma'am. Okay.

12 CLYDE KING: Can I get my list brought up to date as
13 to what continued?

14 MASON BRENT: Yes. I'll just go ahead and back up
15 to the beginning and restate.

16 CLYDE KING: Just the numbers will be fine for me.

17 MASON BRENT: I'll give you agenda item numbers. We
18 have continued until June agenda item number one, number two,
19 number three, number four, number five, number seven, number
20 nine, number eleven, number twelve and number thirteen.

21 CLYDE KING: Thank you.

22 MASON BRENT: So, now, we'll call agenda item number
23 six. The Board will reconvene VGOB docket VGOB-93-01/19-
24

1 0313, unit EH-108, for further consideration of applications
2 filed by certain claimants for the calculation and thereafter
3 disbursement to them funds on deposit in the drilling unit
4 escrow account based upon said claimants stipulated
5 settlement of their conflicting claims to the ownership of
6 coalbed methane gas production allocable to certain tracts
7 wherein they own coal and gas rights. Docket VGOB-93-01/19-
8 0313-01 continued from April. We'd ask all parties
9 interested in participating in this matter to come forward at
10 this time.

11 (Board members confer.)

12 MASON BRENT: We have a letter here from Henry S.
13 Keuling---.

14 SANDRA RIGGS: Henry Keuling-Stout.

15 MASON BRENT: ---Henry Keuling-Stout, asking that
16 this matter be continued. That he is...are you privy to this
17 letter?

18 MARK SWARTZ: It's not our unit.

19 MASON BRENT: I'm sorry?

20 MARK SWARTZ: It's not...it's one of those rare
21 instances where it's...I don't have anything to do with it.
22 I think it's an Edwards & Hardin. Is it an EH or---?

23 SANDRA RIGGS: It's a Virginia Gas, I believe, and
24

1 it's---.

2 MARK SWARTZ: Right, or Virginia Gas, yeah.

3 SANDRA RIGGS: And they had provided the Board on

4 April the 10th an accounting, but evidently he's not

5 satisfied with the information provided in the accounting and

6 is seeking more information from the operator with respect to

7 production figures and for that reason...he says he's going

8 to be here today. So, maybe we just want to delay this one

9 until the end of the docket and see if he shows, since he's

10 not here yet. But he does, in his letter, request a

11 continuance while he seeks this additional information.

12 MASON BRENT: Well, we'll hold off on it for now.

13 But if there's going to be no objection, I'm going to be

14 inclined to hear it if he's not here.

15 CLYDE KING: That's number six?

16 MAX LEWIS: Number five.

17 MARK SWARTZ: Six.

18 SANDRA RIGGS: Six.

19 MASON BRENT: Number six.

20 CLYDE KING: Number six.

21 MASON BRENT: We'll come back to that. Okay, the

22 next item on our agenda, number eight, the Board will

23 consider a petition from Buchanan Production Company under

24

1 Section 45.1-361.22 for pooling of a coalbed methane unit
2 under the Oakwood Coalbed Methane Gas Field II Order
3 identified as U-33 located in the Garden District, Keen
4 Mountain Quadrangle, Buchanan County, Virginia. Docket
5 number VGOB-91-04/30-0108-02. We'd ask all parties
6 interested in participating in this matter to come forward at
7 this time.

8 MARK SWARTZ: Mark Swartz and Les Arrington.

9 MASON BRENT: Okay, seeing that there are no others,
10 you may proceed.

11 MARK SWARTZ: Okay. This is a request to pool under
12 the Oakwood II Rules, which is the active gob rules, and if
13 you look at the tail end, or toward the tail end, of the
14 application, there is a mine map of sorts and you'll see the
15 indication that this particular unit, the U-33 unit, is on
16 top of, or over a portion of the Buchanan #1 Mine, and
17 actually overlies two different longwall panels in that mine.
18 We haven't seen one of these kinds of poolings for a while,
19 but I just thought I'd alert you that this is an Oakwood II
20 active gob over the Buchanan #1 Mine. There's the mine map.
21 In advance of the mine map are DWEs and cost information
22 because if you'll recall, we allocate total panel costs to
23 the units based on the percentage that they're in, and we'll

24

--

1 get back to that in a minute. But that's the nature of this
2 unit. The only person we're pooling is VDOT and if you look
3 at the plat, you will see that there is...there are some
4 highways that run through the...this 80 acre unit that VDOT
5 apparently either purchased or condemned, you know, a way
6 that caused them to have a mineral interest. So, that's what
7 we're here about. Les, do you want to be sworn so we can get
8 started?

9

10

11

12 LESLIE ARRINGTON

13 having been duly sworn, was examined and testified as
14 follows:

15 DIRECT EXAMINATION

16 QUESTIONS BY MR. SWARTZ:

17 Q. Would you state your name for us?

18 A. Leslie K. Arrington.

19 Q. Who do you work for?

20 A. Consol Energy.

21 Q. What do you do for them?

22 A. I work as a gas engineer, doing well
23 permitting and pooling applications.

24

--

1 Q. Okay. Did you either prepare or have
2 prepared under your direction the notice of hearing, the
3 application and the exhibits with regard to this pooling of
4 unit U-33?

5 A. Yes, I did.

6 Q. And did you, in fact, sign both of those?

7 A. I did.

8 Q. Okay. Who's the applicant?

9 A. Buchanan Production.

10 Q. Is Buchanan Production a Virginia General
11 Partnership that has two partners who are Appalachian
12 Operators, Inc. and Appalachian Methane, Inc., and are both
13 of those partners wholly owned indirect subsidiaries of
14 Consol Energy, Inc.?

15 A. Yes.

16 Q. Is Buchanan Production Company authorized to
17 do business in the Commonwealth?

18 A. Yes.

19 Q. Who are you asking be appointed by the Board
20 in any order it might enter as the designated operator for
21 this unit?

22 A. Consol Energy.

23 Q. Okay. Is Consol Energy, Inc. a Delaware
24

1 corporation?

2 A. Yes.

3 Q. Is it authorized to do business in the
4 Commonwealth, has it registered with the DMME, and does it
5 have a blanket bond on file?

6 A. Yes, it does.

7 Q. Okay. Some considerable time ago, did
8 Buchanan Production Company delegate to Consol, Inc, who was
9 the predecessor of Consol Energy, Inc., the authority to
10 explore, develop and maintain its properties and assets in
11 Buchanan and other counties?

12 A. Yes, it did.

13 Q. And did Consol, Inc. accept that?

14 A. Yes, it did.

15 Q. And has Consol Energy, Inc. also accepted
16 that delegation as a successor?

17 A. Yes, it has.

18 Q. Have you listed the folks that you want to
19 pool in the notice of hearing and in Exhibit B-3?

20 A. Yes, we have.

21 Q. And is it just VDOT?

22 A. Yes, it is.

23 Q. Do you wish to add anybody at this point?

24

--

1 A. No, we do not.

2 Q. Okay. How did you notify VDOT?

3 A. By certified mail/return receipt on April

4 the 12th of 2001.

5 Q. Did you also publish?

6 A. Yes, we did, in the Bluefield Daily

7 Telegraph on April the 19th of 2001.

8 Q. Okay. If you turn to Exhibit A, page two,

9 and share with the Board the interest that you've acquired

10 and the interest that you're seeking to pool here?

11 A. Yes. We have under lease 98.144% of the

12 coal, oil and gas, coalbed methane interest. We're seeking

13 to pool 1.856% of the coal, oil and gas, coalbed methane

14 interest. And we have a 100% of the coal leased beneath this

15 unit.

16 Q. The...I assume that there is not a need for

17 escrow here, is that correct, or is there?

18 A. No, there is not.

19 Q. Okay. Exhibit B-3 is a little different

20 then we sometimes see because it has some additional

21 percentages, right?

22 A. It does. It has the panel allocations

23 listed on it for the longwall panels.

24

1 Q. And I assume from the listing on Exhibit 3
2 that this unit U-33 is over panels two east and three east,
3 is that correct?

4 A. It is.

5 Q. And the panel...those amount in those panels
6 in the particular unit is expressed as a percentage right
7 under the headings two east and three east, is that correct?

8 A. It is.

9 Q. And as you come down the column, you
10 actually have a percentage which would be the relative to
11 royalty interest---?

12 A. It is.

13 Q. ---for VDOT under each of the panels?

14 A. It does.

15 Q. Okay. If VDOT chose to participate in this
16 unit or be carried in this unit, what percentage would be
17 relevant to that undertaking?

18 A. The portion listed under percentage of unit.

19 Q. Because that would be their total interest?

20 A. It would be.

21 Q. And what would that percentage...what is
22 that percentage?

23 A. 2...well, for VDOT it would be 1.856%.

24

1 Q. Okay. So, that would be their carried or
2 participation percentage?

3 A. It would be.

4 Q. Okay. Is this a 80 acre unit that you're
5 seeking to pool under Oakwood II?

6 A. Yes, it is.

7 Q. And would that be to produce coalbed methane
8 from the Tiller on down?

9 A. Yes.

10 Q. You have included some cost information here
11 and some allocation information.

12 A. We have.

13 Q. Could you explain the process for the Board?

14 A. Yes. What I've done there is on the cost
15 information, I have averaged the cost for...in panel number
16 two of twelve wells and panel number three of eleven wells,
17 I've come up with my average cost per well in that panel and
18 allocated those costs across each panel and for this
19 unit...for this unit is panel...the unit allocation, the
20 total costs would be \$687,348.09.

21 MASON BRENT: Are you referring to Exhibit G, page
22 one?

23 LESLIE ARRINGTON: Yes, sir. Yes, sir.

24

--

1 Q. And the averages of the DWEs of the well
2 costs precede that---?
3 A. They do.
4 Q. ---as well---?
5 A. They do.
6 Q. ---for the two panels? Sort of a backup?
7 A. Yes.
8 Q. In the...in the event that the Board would
9 enter an order pooling this interest, what terms would you
10 recommend as lease terms?
11 A. Our standard lease terms are a \$1 per acre
12 per year for a coalbed methane lease with a five year paid up
13 term with a 1/8 production royalty.
14 Q. And would you recommend those standard terms
15 to the Board?
16 A. We would.
17 Q. Okay. Mr. Arrington, would it be your
18 opinion that the plan for development of the gob gas in units
19 U-33 and in the panels that is over the top as depicted on
20 Exhibit G, is that, in your opinion, a reasonable plan to
21 develop this resource?
22 A. Yes, it is.
23 Q. And would the order that you're proposing
24

1 that the Board enter be a reasonable way to protect VDOT's
2 interest in this unit?

3 A. Yes, it is.

4 MARK SWARTZ: That's all I have.

5 MASON BRENT: Does any of the Board members have
6 questions?

7 (No audible response.)

8 MASON BRENT: Okay, do we have a motion?

9 CLYDE KING: I move we approve.

10 MASON BRENT: We have a motion to approve. Do we
11 have a second?

12 DENNIS GARBIS: I second.

13 MASON BRENT: We have a second. Any further
14 discussion?

15 (No audible response.)

16 MASON BRENT: Hearing none, all in favor, signify by
17 saying yes?

18 (All members signify yes.)

19 MASON BRENT: Opposed?

20 (No audible response.)

21 MASON BRENT: Okay, you have approval.

22 MARK SWARTZ: Thank you.

23 MASON BRENT: Okay, the next item on our agenda is
24

1 agenda item number ten. The Board will consider a petition
2 from Buchanan Production Company under Section 45.1-361.22
3 for pooling of a coalbed methane unit under the Oakwood
4 Coalbed Methane Gas Field I Order and identified as B-21
5 located in the South Grundy District, Patterson Quadrangle,
6 Buchanan County, Virginia. This is docket number VGOB-01-
7 05/15-0888. We'd ask the parties interested in this matter
8 to come forward at this time.

9 MARK SWARTZ: Mark Swartz and Les Arrington.

10 MASON BRENT: Okay, there being no others, you may
11 proceed.

12

13 LESLIE ARRINGTON

14 having been duly sworn, was examined and testified as
15 follows:

16 DIRECT EXAMINATION

17 QUESTIONS BY MR. SWARTZ:

18 Q. Les, I'm just going to remind you you're
19 still under oath.

20 A. Yes.

21 Q. You need to state your name for us again?

22 A. Leslie K. Arrington.

23 Q. Who do you work for?

24

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1 A. Consol Energy.

2 Q. What do you do for them?

3 A. I'm a gas engineer, preparing permit
4 applications and pooling unleased interests.

5 Q. Okay. Did you either prepare yourself or
6 caused to be prepared under your direction the notice of
7 hearing, the application and related exhibits with regard to
8 this pooling of unit B-21 today?

9 A. Yes, I did.

10 Q. And, in fact, you signed the notice and the
11 application, did you not?

12 A. Yes, I did.

13 Q. Have you listed the folks that you're
14 seeking to pool in notice of hearing and in Exhibit B-3?

15 A. Yes, I have.

16 Q. Do you want to add or subtract anybody from
17 that list today?

18 A. No, we do not.

19 Q. Okay. How did you notify the people you're
20 seeking to pool?

21 A. By certified mail/return receipt requested
22 and it was mailed on April the 12th of 2001, published in the
23 Bluefield Daily Telegraph on April the 18th of 2001.

24

--

1 Q. Did everyone that you mailed to you sign for
2 the mail?

3 A. Yes, they did.

4 Q. Okay. This is an 80 acre Oakwood I unit, is
5 that correct?

6 A. Yes, it is.

7 Q. And you're proposing one well in the unit?

8 A. We are.

9 Q. And it's shown on the plat?

10 A. It is.

11 Q. Where is it in relation to the drilling
12 window?

13 A. It's within the drilling window.

14 Q. Okay. Okay. Who's the applicant here?

15 A. The applicant is Buchanan Production
16 Company.

17 Q. Okay, Buchanan Production Company is a
18 Virginia General Partnership, is that correct?

19 A. Yes, it is.

20 Q. And its two partners are Appalachian
21 Operators, Inc. and Appalachian Methane, Inc., both of those
22 companies...these partners wholly owned indirect subsidiaries
23 of Consol Energy, Inc., is that correct?

24

1 A. That's correct.

2 Q. Is BPC or Buchanan Production authorized to
3 do business in the Commonwealth?

4 A. Yes.

5 Q. Who are you asking in the event that the
6 Board approve this application that the Board appoint as
7 designated operator?

8 A. Consol Energy.

9 Q. Is Consol Energy, Inc. a Delaware
10 corporation?

11 A. Yes, it is.

12 Q. Is it the successor of Consol, Inc.?

13 A. Yes, it is.

14 Q. Is Consol Energy, Inc. a company that's
15 authorized to do business in the Commonwealth, has it
16 registered with the Department of Mines, Minerals and Energy
17 and does it have a blanket bond on file?

18 A. Yes, it does.

19 Q. Again, is this one of those situations where
20 Buchanan Production Company had, in fact, delegated the
21 authority to operate its properties to Consol, Inc.?

22 A. Yes, it did.

23 Q. Okay. And Consol, Inc. accepted that?

24

1 A. Yes.

2 Q. And Consol Energy as successor of Consol,
3 Inc. has fallen into the role of managing those properties,
4 correct?

5 A. Yes, it has.

6 Q. Okay. Could you turn to Exhibit A, page
7 two, and tell the Board the interest that you've been able to
8 acquire and the interest that you have not been able to
9 acquire in this unit are?

10 A. Yes. We have leased 100% of the coal
11 beneath this unit. We have 30.75% of the coal, oil and gas,
12 coalbed methane interest leased, and seeking to pool 69.25%
13 of the coal, oil and gas, coalbed methane interest.

14 Q. And have you been in touch with the people
15 that you're seeking to pool, Unicon Pocahontas, et al, about
16 trying to lease their interest?

17 A. Yes, we have.

18 Q. Okay. That's an ongoing effort?

19 A. It is.

20 Q. With regard to Exhibit B-3, have you listed
21 the folks that you're seeking to pool and their percentage
22 and the percentage for each in the unit?

23 A. Yes, we have.

24

--

1 Q. And would those percentages, because this is
2 a frac unit, be relevant to royalty, presentation and carried
3 interest?

4 A. It would be.

5 Q. Okay, the same percentage?

6 A. The same.

7 Q. Have you estimated the costs that would
8 associated with the well to be drilled in the window here?

9 A. Yes, we have. It's \$203,101.78 to an
10 estimated depth of 2,490 feet.

11 Q. I see that you don't have a permit number.
12 Is that---?

13 A. It has just recently been issued, the last
14 part of April, permit number 4950.

15 Q. Is it drilled yet?

16 A. I believe it has been drilled, yes. But it
17 has just happened.

18 Q. But it hasn't been completed?

19 A. No. No, it has not.

20 Q. What would you recommend to the Board with
21 regard to the matter of lease terms for people who might be
22 deemed to have been leased?

23 A. Our standard lease terms are a \$1 per acre

24

--

1 per year for a coalbed methane lease with a five year paid up
2 term with a 1/8 production royalty.

3 Q. Now this, as we've said before, is an 80
4 acre frac well in the Oakwood I Field Rules area and are you
5 proposing to develop from the Tiller on down?

6 A. Yes, we are.

7 Q. Okay. And we're talking just one well?

8 A. That's correct.

9 Q. Is the plan of development that's disclosed
10 by the application and the plat, in your judgment, a
11 reasonable plan to develop the coalbed methane resource under
12 this unit?

13 A. Yes, it is.

14 Q. And through pooling, is your opinion that
15 the correlative rights of all people, both people you've been
16 able to lease and people you have not as yet been able to
17 lease, their correlative rights would be protected?

18 A. Yes, it is.

19 Q. And would you recommend to the Board that
20 they pool this unit as requested?

21 A. Yes.

22 MARK SWARTZ: That's all I have.

23 MASON BRENT: Any questions from the Board?

24

--

1 MAX LEWIS: Yeah, I'd like...you've got listed in
2 your surface owner unknown.

3 DENNIS GARBIS: It's on page one.

4 SANDRA RIGGS: It's tract ID sheet.

5 LESLIE ARRINGTON: It's the tract ID. Tract A and
6 2B, we're not operating on those tracts. Our access road and
7 well site is all located on Tract #3. So, we really didn't,
8 other than mineral ownership, we didn't need our surface
9 ownership on those two tracts.

10 MAX LEWIS: Okay. Well, on the other tracts, you
11 said---?

12 LESLIE ARRINGTON: C. L. Ritter.

13 MAX LEWIS: Who?

14 LESLIE ARRINGTON: Are you talking about Tract 3?

15 MAX LEWIS: Yeah.

16 LESLIE ARRINGTON: C. L. Ritter is a fee tract.

17 MARK SWARTZ: And we've got a lease from them,
18 right?

19 LESLIE ARRINGTON: Yes, we do.

20 DENNIS GARBIS: So, you're looking to pool 69.75%?

21 LESLIE ARRINGTON: Yes, sir.

22 MARK SWARTZ: We have leases with the people that
23 we're seeking to pool for thousands of acres in other
24
--

1 locations, but we have not been able to reach a lease
2 agreement with them here. We have a large, large lease with
3 C. L. Ritter which covers thousands and thousands of acres.
4 So, I mean, you know, we're going to...we're still trying to
5 work something out with them here, but we're very familiar
6 with each other and they're not here.

7 DENNIS GARBIS: I hope not that familiar.

8 MARK SWARTZ: Pretty familiar.

9 MASON BRENT: Any other questions?

10 MAX LEWIS: Yeah, right here on this map right here
11 on...it says, "Little Big Branch" right here and you're
12 running down off of the...from this well down on...looks to
13 me like on the Slate Creek side. Where is that
14 locate...what's that located?

15 LESLIE ARRINGTON: It's on Lower Big Branch.

16 MAX LEWIS: I know...I know that it's on Lower Big
17 Branch. I can see that. But it looks like your well may be
18 kind of on the Slate Creek side, too.

19 SANDRA RIGGS: That circle is what he's looking at.
20 See---?

21 MAX LEWIS: Yeah.

22 SANDRA RIGGS: ---outside the unit---?

23 MAX LEWIS: Yeah.

24

--

1 SANDRA RIGGS: ---on the---?

2 LESLIE ARRINGTON: Oh, okay. That little circle.

3 I'm not sure what that little circle indicates there. The

4 unit we're referencing here is unit B-21 and that well...that

5 full circle would be in A---.

6 MARK SWARTZ: A-21.

7 LESLIE ARRINGTON: ---21.

8 (Sandra Riggs explains it to Max Lewis.)

9 MAX LEWIS: Do you...by looking at this map, do you

10 know where this hollow is right here, going up---?

11 LESLIE ARRINGTON: Yes, sir. I've been on it.

12 MAX LEWIS: What?

13 LESLIE ARRINGTON: Lower Big Branch.

14 MAX LEWIS: Yeah, I know that's Lower Big Branch---.

15 LESLIE ARRINGTON: Okay.

16 MAX LEWIS: ---on this side.

17 LESLIE ARRINGTON: Okay.

18 MAX LEWIS: But I'm not talking about on the other

19 side right there.

20 MARK SWARTZ: Do you need to go over there and look

21 at that?

22 LESLIE ARRINGTON: I can still see it. Our access

23 goes up...our access road goes up Lower Big Branch to the

24

1 head to the hollow---.

2 MAX LEWIS: Okay.

3 LESLIE ARRINGTON: ---and back to the ridge line
4 and that's the reason our well is in the corner of that unit.
5 All of our access road comes off of the ridge.

6 MAX LEWIS: Off of Lower Big Branch?

7 LESLIE ARRINGTON: Off of...yes, sir. From the head
8 of Lower Big Branch.

9 MAX LEWIS: Okay.

10 MASON BRENT: Okay, any other questions?
11 (No audible response.)

12 MASON BRENT: Okay, do we have a motion?

13 CLYDE KING: So moved.

14 MASON BRENT: Okay, we have a motion for approval.
15 Is there a second?

16 DENNIS GARBIS: I second.

17 MASON BRENT: We have a motion and a second. Any
18 further discussion?

19 (No audible response.)

20 MASON BRENT: All in favor of the motion, signify by
21 saying yes?

22 (All members signify yes, except for Max Lewis.)

23 MASON BRENT: Opposed?

24

1 (Max Lewis signifies no.)

2 MASON BRENT: The motion is approved. All right,
3 the next item on our agenda, we're down, I believe, to item
4 number fourteen now.

5 MARK SWARTZ: Yes, sir.

6 MASON BRENT: The Board will consider a petition
7 from Buchanan Production Company under Section 45.1-361.22
8 for pooling of a coalbed methane unit under the Oakwood
9 Coalbed Methane Gas Field I Order and identified as DD-3
10 located in the Hurricane District, Vansant Quadrangle,
11 Buchanan County, Virginia. This is docket number VGOB-01-
12 05/15-0893. I'd ask all parties interested in this matter to
13 come forward at this time.

14 MARK SWARTZ: Mark Swartz and Les Arrington.

15 MASON BRENT: Okay, there being no others, you may
16 proceed.

17

18 LESLIE ARRINGTON

19 having been duly sworn, was examined and testified as
20 follows:

21 DIRECT EXAMINATION

22 QUESTIONS BY MR. SWARTZ:

23 Q. Les, I'm just going to remind you're still

24

--

1 under oath, okay?

2 A. Yes.

3 Q. Who do you work for?

4 A. Consol Energy.

5 Q. What's your name?

6 A. Leslie K. Arrington.

7 Q. What do you do for Consol Energy?

8 A. Gas Engineer.

9 Q. Did you either prepare yourself or have

10 prepared under your direction the notice of hearing, the

11 application and related exhibits with regard to the request

12 to pool DD-3?

13 A. I did.

14 Q. Okay. And you signed the notice of hearing

15 yourself and the application yourself, is that correct?

16 A. I did.

17 Q. Okay. Have you listed all the folks that

18 we're seeking to pool in the notice and in Exhibit B-3?

19 A. Yes, I did.

20 Q. Okay, do you want to add anybody to that

21 list today or subtract anybody?

22 A. No.

23 Q. Who's the applicant?

24

1 A. Buchanan Production Company.

2 Q. Is Buchanan Production Company a Virginia
3 General Partnership?

4 A. Yes, it is.

5 Q. Does it have two partners namely Appalachian
6 Operators, Inc. and Appalachian Methane, Inc., which are
7 wholly owned indirect subsidiaries of Consol Energy, Inc.?

8 A. Yes, it does.

9 Q. Is BPC authorized to do business in the
10 Commonwealth?

11 A. Yes, it does...yes, it is.

12 Q. Who are you asking be appointed the Board's
13 operator if the unit is pooled?

14 A. Consol Energy.

15 Q. Okay. Is Consol Energy, Inc. a Delaware
16 corporation?

17 A. Yes, it is.

18 Q. Is it authorized to do business in the
19 Commonwealth, has it registered with the DMME, and does it
20 have a blanket bond on file?

21 A. Yes, it does.

22 Q. Okay. Did Buchanan Production Company
23 delegate the responsibility for managing its oil and gas
24

1 assets in the Commonwealth to Consol, Inc. some considerable
2 time ago?

3 A. Yes, it did.

4 Q. And did Consol, Inc. accept that delegation?

5 A. Yes, it did.

6 Q. And has Consol Energy, Inc. succeeded to
7 that obligation?

8 A. Yes, it did.

9 Q. Okay. How did you notify the people you're
10 seeking to pool?

11 A. By certified mail, return receipt requested
12 on April the 12th, 2001.

13 Q. And have you filed copies of a list
14 regarding certification of mailing with the Board today?

15 A. Yes, we have.

16 Q. And what else did you do to notify people?

17 A. It was published in the Bluefield Daily
18 Telegraph on April the 19th, 2001.

19 Q. This is a application to pool under Oakwood
20 I, is that correct?

21 A. Yes, it is.

22 Q. Oh, is this one of the...this is a
23 make...one of the adjusted units?

24

--

1 A. Yes, it is. It's a 58 acre unit.

2 Q. Okay. And the...if the Board looks at

3 Exhibit A-1, it shows the adjustment units there, does it

4 not?

5 A. Yes, it does.

6 Q. Okay. And then the plat which follows

7 states just above the outline of the unit that it's a 58 acre

8 unit?

9 A. Yes, it does.

10 Q. Okay. And there's a drilling window in that

11 unit?

12 A. It is.

13 Q. And where is the well?

14 A. Within the drilling window.

15 Q. Okay. How many wells are proposed?

16 A. One.

17 Q. I assume it's a frac well?

18 A. Yes, it is.

19 Q. Okay. The...have you included in your

20 application an estimate with regard to the costs associated

21 with drilling and completing that frac well?

22 A. Yes, we have. Estimated cost is

23 \$193,674.28, drilled to an approximate total depth of 2,130

24

1 feet and its permit number is 4915.

2 Q. What's the status? Is it drilled yet?

3 A. I believe it's drilled. That's where it's

4 at.

5 Q. Okay. This...since it's an Oakwood I unit,

6 you would be seeking to produce coalbed methane from the

7 Tiller on down, is that right?

8 A. Yes, we are.

9 Q. On Exhibit B-3, I assume you have reported,

10 have you not, a percentage associated with the interest of

11 the folks that you're seeking to pool?

12 A. We have.

13 Q. Okay. And it shows their total interest in

14 the whole unit?

15 A. Yes, it does.

16 Q. And would that one percentage that's

17 reported on B-3 pertain to royalty, carried interest and

18 participation?

19 A. Yes, it does.

20 Q. Is there escrow required in this unit?

21 A. Yes, it is.

22 Q. Okay. Did they get an Exhibit E today or do

23 we need to...you did. Okay. So, you've provided them---?

24

1 A. Yes, we have.

2 Q. ---today with your thinking on escrow?

3 A. Uh-huh. Yes, we did.

4 Q. Okay.

5 A. That's correct.

6 Q. Let's look for a minute at the standing

7 here, could you turn to Exhibit A, page two and give the

8 Board an indication, you know, what interest in coalbed

9 methane you've acquired and what interest you're seeking to

10 pool?

11 A. We're seeking to...we have under lease

12 96.051% of the coal, oil and gas interest. We're seeking to

13 pool 3.949% of that coal, oil and gas interest.

14 Q. And that would be both the coal and the oil

15 and gas?

16 A. Yes, it is.

17 Q. Okay. In the event that the Board should

18 pool this unit and include rental terms in the deed to have

19 been leased provision of its order, what terms would you

20 recommend?

21 A. Our standard lease terms are a \$1 per acre

22 per year for a coalbed methane well with a five year paid up

23 term and 1/8 production royalty.

24

1 Q. Is it your opinion that the development plan
2 disclosed by the application and the plats that are a part of
3 the application is a reasonable plan to develop the coalbed
4 methane under this unit?

5 A. Yes, it is.

6 Q. And is it your recommendation to the Board
7 that they pool this unit to protect the correlative rights of
8 both your lessors and the folks that have an interest in the
9 unit that you've been unable to lease?

10 A. Yes, we do.

11 MARK SWARTZ: That's all I have.

12 MASON BRENT: Any questions from the Board?

13 CLYDE KING: How deep is the well?

14 LESLIE ARRINGTON: The approximate depth of 2,130
15 feet.

16 CLYDE KING: I notice there's quite a few buildings.
17 How far are they...the closest one?

18 LESLIE ARRINGTON: I'll have to measure that.

19 MARK SWARTZ: It's over 400 feet.

20 LESLIE ARRINGTON: If you'll notice, there's an
21 access road there that's to the northwest of the well and
22 there's a building right in the corner there, that building
23 is approximately 800...I'm sorry, let me put my glasses on.

24

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1 Approximately 650 feet. However, that building...the
2 dwelling, I believe, has burned.

3 CLYDE KING: How far is that church? That's 2E.

4 LESLIE ARRINGTON: Okay. It is approximately 750
5 feet.

6 MASON BRENT: Any other questions from the Board?

7 (No audible response.)

8 MASON BRENT: Did you have anything else, Mr.
9 Swartz?

10 MARK SWARTZ: No.

11 MASON BRENT: Do we have a motion?

12 DENNIS GARBIS: I make a motion that we approve.

13 MASON BRENT: Okay, we have a motion for approval.

14 Do we have a second?

15 CLYDE KING: Second.

16 MASON BRENT: Okay, we have a motion and a second.

17 Is there any further discussion?

18 (No audible response.)

19 MASON BRENT: All in favor of approval, signify by
20 saying yes?

21 (All members signify yes.)

22 MASON BRENT: Opposed?

23 (No audible response.)

24

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1 MASON BRENT: You have approval.

2 MARK SWARTZ: Thank you.

3 CLYDE KING: I'm glad to hear that yes from you.

4 DENNIS GARBIS: He's getting weak over there. I
5 don't know.

6 MARK SWARTZ: He's just mellowing out.

7 MAX LEWIS: No.

8 DENNIS GARBIS: No, I don't think so.

9 MARK SWARTZ: You don't?

10 DENNIS GARBIS: You don't know Max.

11 MARK SWARTZ: Well, I feel like I have some
12 knowledge of Max.

13 MASON BRENT: Does anybody want to take a break or
14 do you want to keep going?

15 (Board members confer and then decide to take a
16 break.)

17 MASON BRENT: Okay, we're back on the record. The
18 next item on our agenda, agenda item number fifteen, the
19 Board will consider a petition from Columbia Natural
20 Resources under Section 45.1-361.17 for a well location
21 exception for proposed well CNR-24342. That well 23327 lies
22 2,468.46 feet North 18 degrees 22 minutes 40 seconds East of
23 proposed well 24342 in the North Grundy District, Grundy
24

1 Quadrangle, Buchanan County, Virginia. This is docket number
2 VGOB-01-05/15-0894.

3 I'm going recuse myself at this point and turn the
4 chair over to Mr. Garbis who will call the witnesses in this
5 matter.

6 DENNIS GARBIS: All those who desire to speak before
7 the Board identify yourselves.

8 JIM KISER: Jim Kiser on behalf of Columbia Natural
9 Resources. Our witnesses in this matter will be Ms. Mary Ann
10 Fox and Mr. Jason Blakemore. We'd ask that they be sworn in
11 at this time.

12 (Witnesses are duly sworn.)

13 JIM KISER: Mr. Chairman and Board members, we are
14 seeking a location exception for CNR well number 24342. This
15 well was drilled in July of 2000 and in January of 2001, our
16 surveyor, Mr. (inaudible), notified Mr. Wilson's office by
17 letter that there was a survey control error which affected
18 three units. The permits have been...the applications for
19 permit modification on those three units have been filed and
20 the survey error...the error between this well and the
21 reciprocal well CNR-23327 is...caused us to come before you
22 today seeking this exception in that the new...the distance
23 between these two wells is 2,468.46. In other words, about
24

1 31½ feet less than the 2,500 hundred foot requirement. So,
2 that's why we are here before you today seeking this
3 variance. Ms. Fox will be our first witness.

4

5 MARY ANN FOX

6 having been duly sworn, was examined and testified as
7 follows:

8 DIRECT EXAMINATION

9 QUESTIONS BY MR. KISER:

10 Q. If you'd state your name for the Board, who
11 you're employed by and in what capacity?

12 A. May Ann Fox. I work with Columbia Natural
13 Resources and I'm a manager in the land department.

14 Q. And your qualifications as an expert witness
15 in land matters have been previously accepted by the Board?

16 A. Yes, they have.

17 Q. And your responsibilities include the land
18 involved here for this well and in the surrounding area?

19 A. Yes.

20 Q. And you're familiar with the application we
21 filed seeking a location exception for this well?

22 A. Yes.

23 Q. Have all interested parties been notified as
24

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1 required by Section 4B of the Virginia Gas and Oil Board
2 Regulations?

3 A. Yes.

4 Q. And does Equitable have the right to operate
5 the reciprocal well, that being the well for which we're
6 seeking the exception?

7 A. Columbia does, yes.

8 Q. I'm sorry, Columbia. Are there any
9 correlative rights issues? In other words, are...the
10 reciprocal the unit is under...all the acreage is under lease
11 to CNR as are any surrounding units including the two other
12 wells that we've modified the permit on?

13 A. Yes.

14 JIM KISER: That's all I have for this witness at
15 this time, Mr. Chairman.

16 DENNIS GARBIS: Proceed.

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JASON BLAKEMORE

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

Q. Mr. Blakemore, if you'd state your name for the Board and who you're employed by and in what capacity?

A. Jason Blakemore. I'm employed with Columbia Natural Resources.

Q. And your qualifications as an expert witness in the area of production and operations were previously accepted by the Board at the January 2001 hearing?

A. Yes.

Q. Okay. Now, are you familiar with the application we filed seeking a location exception?

A. Yes.

Q. And what was the total depth of this well under your plan of development?

A. 5,326 feet.

Q. And this was sufficient to penetrate and test the common sources as supplied in the subject formations as listed in your permit application?

A. Yes.

1 Q. And you're requesting that this location
2 exception cover conventional gas reserves to include the
3 designated formations from the surface to the total depth
4 drilled?

5 A. Yes.

6 Q. In your professional opinion, will the
7 granting of this location exception be in the best interest
8 of preventing waste, protection of correlative rights and
9 maximizing the recovery of the gas reserves underlying the
10 unit for well number 24342?

11 A. Yes.

12 JIM KISER: Nothing further of this witness, Mr.
13 Chairman.

14 DENNIS GARBIS: Proceed.

15 JIM KISER: We'd ask that the application be
16 approved as submitted.

17 DENNIS GARBIS: Are there any questions of any
18 members of the Board?

19 MAX LEWIS: We don't have a map of the...it's
20 just---.

21 SANDRA RIGGS: It's a conventional well.

22 MAX LEWIS: Yeah, I know it.

23 DENNIS GARBIS: Do you have a question, Mr. Lewis?

24

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1 MAX LEWIS: No.

2 DENNIS GARBIS: Do I hear a motion?

3 CLYDE KING: So moved.

4 DENNIS GARBIS: Is there a second?

5 MAX LEWIS: Not me.

6 CLYDE KING: It's going to die.

7 DENNIS GARBIS: I'll second. We have a motion and a
8 second to approve the request. All in favor, signify by
9 saying yes?

10 CLYDE KING: Yes.

11 DENNIS GARBIS: Yes.

12 MAX LEWIS: Abstain.

13 DENNIS GARBIS: Your motion is approved.

14 JIM KISER: Thank you.

15 CLYDE KING: You did good, Mr. Chairman.

16 DENNIS GARBIS: I'll reup for next week.

17 MASON BRENT: Okay, the next...I'll take the Chair
18 back, if that's all right?

19 MAX LEWIS: Yeah, go ahead.

20 DENNIS GARBIS: That's fine.

21 MASON BRENT: Thank you, Mr. Garbis. The next item
22 on our agenda, agenda item number sixteen, the Board will
23 consider a petition from Equitable Production Company under
24

1 Section 45.1-361.22 for pooling of a conventional gas unit
2 identified as V-2541 located in the Gladeville District, Flat
3 Gap Quadrangle, Wise County, Virginia. This is docket number
4 VGOB-01-05/15-0895. We'd ask all the parties interested in
5 participating in this matter to come forward at this time.

6 JIM KISER: Mr. Chairman and Members of the Board,
7 Jim Kiser on behalf of Equitable Production Company. Our
8 witness in this matter will be Mr. Don Hall. We'd ask that
9 he be sworn at this time.

10 (Witness is duly sworn.)

11 MASON BRENT: Okay, let the record reflect that
12 there are no other participants, please. You may proceed.

13

14

15 DON HALL

16 having been duly sworn, was examined and testified as
17 follows:

18 DIRECT EXAMINATION

19 QUESTIONS BY MR. KISER:

20 Q. Mr. Hall, if you'd state your name for the
21 Board, who you're employed by and in what capacity?

22 A. My name is Don Hall. I'm employed by
23 Equitable Production Company as District Landman.

24

--

1 Q. And do your responsibilities include the
2 land involved in the unit for V-2541 and in the surrounding
3 area?

4 A. They do.

5 Q. And you're familiar with Equitable's
6 application to establish a drilling unit and seeking of a
7 pooling order for EPC well number V-2541, which was dated
8 April the 12th, 2001?

9 A. Yes.

10 Q. Equitable owns drilling rights in the unit
11 involved here?

12 A. Yes.

13 Q. Now, prior to filing this application, were
14 efforts made to contact each of the respondents listed at
15 Exhibit B in an attempt made to work out a voluntary
16 agreement regarding the development of the unit?

17 A. Yes, there was.

18 Q. What is the interest of Equitable within
19 this unit?

20 A. Equitable has 87.61% of the unit under
21 lease.

22 Q. Are you familiar with the ownership of
23 drilling rights of parties other than Equitable underlying
24

1 this unit?

2 A. Yes.

3 Q. And what percentage of the unit remains
4 unleased?

5 A. 12.39%.

6 Q. Now, subsequent to the filing of the
7 application, have you continued to attempt to reach an
8 agreement with the unleased respondents listed in our Exhibit
9 B?

10 A. Yes.

11 Q. As a result of those efforts, have you been
12 successful in acquiring any additional leases from any of the
13 unleased owners?

14 A. No.

15 Q. Okay. Now, are all of the unleased owners
16 set out in Exhibit B?

17 A. They are.

18 Q. All right. Did you make efforts to
19 determine if the individual respondents were living or
20 deceased or their whereabouts, and if deceased, were efforts
21 made to determine the name and addresses and whereabouts of
22 any successors or heirs to any deceased individual
23 respondents?

24

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1 A. Yes.

2 Q. Were reasonable and diligent efforts made
3 and sources checked to identify unknown heirs including
4 primary sources such as deed records, probate records,
5 assessor's records, treasurer's records and secondary sources
6 such as telephone directories, city directories, family and
7 friends?

8 A. Yes.

9 Q. In your professional opinion, Mr. Hall, was
10 due diligence exercised to locate each of the respondents
11 named in our application for force pooling?

12 A. Yes.

13 Q. Now, are the addresses set out in our
14 Exhibit B to the application the last known addresses for the
15 respondents?

16 A. They are.

17 Q. And are you requesting the Board today to
18 force pool all unleased interest listed in Exhibit B?

19 A. Yes.

20 Q. And does Equitable seek to force pool the
21 drilling rights of each individual respondent, if living, and
22 if deceased, the unknown successors or successors to any
23 deceased individual respondent?

24

1 A. Yes.

2 Q. Are you familiar with the fair market value
3 of drilling rights in the unit here and in the surrounding
4 area?

5 A. Yes.

6 Q. Could you advise the Board, please, as to
7 what those are?

8 A. It's a \$5 bonus, \$5...a five year term and
9 1/8 royalty.

10 Q. Did you gain this familiarity by acquisition
11 of oil and gas leases?

12 A. Yes.

13 Q. And other agreements involving the transfer
14 of drilling rights in the unit involved here and in the
15 surrounding area?

16 A. Yes.

17 Q. In your professional opinion, do the terms
18 you have testified to represent the fair market value of and
19 fair and reasonable compensation to be paid for drilling
20 rights within this unit?

21 A. They do.

22 Q. Now, based on your testimony, as for
23 respondents who have not voluntarily agreed to lease, do you
24

1 recommend that the respondents listed in Exhibit B remain
2 unleased be allowed the following options with respect to
3 their ownership interest within the unit: 1) Participation;
4 2) a cash bonus of \$5 per net mineral acre, plus a 1/8 of
5 8/8ths royalty; 3) in lieu of a cash bonus and 1/8 of 8/8ths
6 royalty share in the operation of the well on a carried basis
7 as a carried operator under the following conditions: Such
8 carried operator should be entitled to their share of
9 production from the tracts pooled accruing to his interest
10 exclusive of any royalty or overriding royalty reserved in
11 any leases, assignments thereof or agreements relating
12 thereto of such tracts but only after the proceeds applicable
13 to his share equal: A) 300% of the share of such cost
14 applicable to interest of the carried operator of a leased
15 tract or portion thereof; or B) 200% of his share of the cost
16 applicable to the interest of the carried operator of an
17 unleased tract or portion thereof?

18 A. Yes.

19 Q. Do you recommend that the operator provide
20 that any elections by respondents by in writing and sent to
21 the applicant at: Equitable Production Company, 1710
22 Pennsylvania Avenue, Charleston, West Virginia, Attention:
23 Melanie Freeman, Regulatory?

24

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1 A. Yes.

2 Q. Should this be the address for all
3 communications with the applicant concerning any force
4 pooling order?

5 A. It should.

6 Q. Do you recommend that the order provide that
7 if no written election is properly made by a respondent, then
8 such respondent should be deemed to have elected the cash
9 royalty option in lieu of participation?

10 A. Yes.

11 Q. Should all unleased respondents be given
12 thirty days from the date the order is executed to file their
13 written elections?

14 A. Yes.

15 Q. If an unleased respondent elects to
16 participate, should they be given forty-five days to pay the
17 applicant for their proportionate share of the well costs?

18 A. Yes.

19 Q. Does the applicant expect the party electing
20 to participate to pay in advance that party's share of
21 completed well costs?

22 A. Yes.

23 Q. Now, should the applicant be allowed a
24

1 hundred and twenty days following the recordation date of the
2 Board order and thereafter annually on that date until
3 production is achieved to pay or tender any cash bonus or
4 delay rentals becoming due under the force pooling order?

5 A. Yes.

6 Q. Do you recommend that the order provide that
7 if the respondent elects to participate but fails to pay
8 their proportionate share of the well costs satisfactory to
9 the applicant for the payment of those costs their election,
10 the respondent's election to participate, should be treated
11 as having been withdrawn and void?

12 A. Yes.

13 Q. Do you recommend that the order provide
14 where a respondent elects to participate but defaults in
15 regard to the payment of well costs, any cash sum becoming
16 payable to that respondent be paid within sixty days after
17 the last date on which such respondent could have paid or
18 made satisfactory arrangements for the payment of those well
19 costs?

20 A. Yes.

21 Q. Do you recommend in this particular case
22 because we have unknown interest owners, that the Board
23 establish a escrow account for the respondent's benefit until
24

1 those owners can be located and that money paid to them?

2 A. Yes.

3 Q. And who should be named the operator under

4 the force pooling order?

5 A. Equitable Production Company.

6 Q. Now, are you familiar with the proposed plan

7 of exploration and development for this unit?

8 A. Yes.

9 Q. What is the total depth for the proposed

10 well?

11 A. 5,519 feet.

12 Q. And this will sufficient to penetrate and

13 test any common sources of supply in the subject formations?

14 A. Yes.

15 Q. And are you requesting the force pooling of

16 conventional gas reserves not only to include the designated

17 formations, but any other formations excluding coal

18 formations which may be between those formations designated

19 from the surface to the total depth drilled?

20 A. We are.

21 Q. And what is your estimate for the reserves,

22 the lifetime reserves of this unit?

23 A. 650,000,000 cubic feet.

24

1 Q. And you're familiar with the well costs for
2 the proposed well under the plan of development?

3 A. Yes.

4 Q. You've reviewed an AFE, it has been signed
5 and submitted to the Board?

6 A. Yes.

7 Q. Was this AFE prepared by an engineering
8 department knowledgeable in the preparation of AFEs and
9 knowledge in particularly to well costs in this area?

10 A. Yes.

11 Q. Does this AFE, in your professional opinion,
12 represent a reasonable estimate of the well costs for the
13 proposed well under the plan of development?

14 A. It does.

15 Q. Could you state for the Board right now the
16 estimate of both the dry hole costs and completed well costs?

17 A. The dry hole costs would be \$191,889; the
18 completed well costs would be \$306,169.

19 Q. Do these costs anticipate a multiple
20 completion?

21 A. They do.

22 Q. Does your AFE include a reasonable charge
23 for supervision?

24

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1 A. Yes, it does.

2 Q. In your professional opinion, would the
3 granting of this application be in the best interest of
4 conservation, the prevention waste and the protection of
5 correlative rights?

6 A. Yes.

7 JIM KISER: Nothing further of this witness at this
8 time, Mr. Chairman.

9 MASON BRENT: Does anyone have any questions of this
10 witness?

11 (No audible response.)

12 MASON BRENT: Do you have anything further?

13 JIM KISER: We'd ask that the application be
14 approved as submitted.

15 MASON BRENT: Do we have a motion for approval?

16 DENNIS GARBIS: I make a motion for approval.

17 MASON BRENT: Okay, we have a motion to approve. Do
18 we have a second?

19 CLYDE KING: Second.

20 MASON BRENT: We have a motion and a second. Any
21 further discussion?

22 (No audible response.)

23 MASON BRENT: All in favor, signify by saying yes.

24

1 (All members signify yes.)

2 MASON BRENT: Opposed?

3 (No audible response.)

4 MASON BRENT: You have approval. The next item on
5 our agenda, agenda item number seventeen, the Board will
6 consider a petition from Equitable Production Company under
7 Section 45.1-361.17 for a well location exception for
8 proposed well V-4779. That EPC Well Number C-2756 lies 2,059
9 feet North 51 degrees 26 minutes East of proposed well V-4779
10 and EPC Well Number V-2758 lies 2,117 feet South 3 degrees 24
11 minutes East of proposed well V-4779, and EPC Well Number
12 10131 lies 2,366 feet North 30 degrees 33 minutes West of
13 proposed well number V-4779 in the Gladeville District,
14 Norton Quadrangle, Wise County, Virginia. This is docket
15 number VGOB-01-05/15-0896. I'd ask all parties interested in
16 participating in this matter to come forward at this time.

17 JIM KISER: Mr. Chairman and Members of the Board,
18 Jim Kiser on behalf of Equitable Production Company. Our
19 witness in this matter will again be Mr. Hall. I'll remind
20 him that he has previously been sworn.

21 MASON BRENT: Okay, there being no others to come
22 before the Board, you may proceed.

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DON HALL

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

Q. Mr. Hall, if you'd again list your or state your name for the Board, who you're employed by and in what capacity?

A. My name's Don Hall. I'm employed by Equitable Production Company as District Landman.

Q. And do your responsibilities include the land involved in the unit for well V-4779 and in the surrounding area?

A. It does.

Q. And you're familiar with the application that we filed seeking a location exception for this well?

A. Yes.

Q. Have all interested parties been notified as required by Section 4B of the Virginia Gas and Oil Board Regulations?

A. They have.

Q. Would you state for the Board the ownership of the oil and gas estate underlying the unit for well number

1 V-4779?

2 A. We have leases from Penn Virginia Oil and
3 Gas Corporation for 73.14% and Greater Wise Coal Company for
4 26.86%.

5 Q. And now in this particular application,
6 we're seeking a variance from three separate wells. Does
7 Equitable have the right to operate all three of those
8 reciprocal wells?

9 A. We do.

10 Q. And is the acreage within all three of those
11 units and in any surrounding units all under lease to
12 Equitable?

13 A. Yes, it is.

14 Q. So, there are no correlative rights issues?

15 A. No.

16 Q. Okay, now, Mr. Hall in conjunction with the
17 exhibit that you prepared for the Board, could you explain
18 why we've located V-4779 where we have and henceforth why
19 we're seeking this exception?

20 A. The location for this well, there was not a
21 place within these three wells that we could get 2,500 feet
22 from all of them and the location that we ended up with was
23 as good as we could get equal distance from each. Should we
24

1 get...move this thing...the only way we could get a legal
2 location for this well would be to move it Southwest
3 approximately 1,900 feet and if we did, then we would create
4 a large void area there where 4779 is now, which we did not
5 want to do. So, that would never be able to be produced.

6 Q. So, that location would result in waste and
7 royalty owners not being compensated?

8 A. If we moved it, it would, yes.

9 Q. Right. Now, in the event this location
10 exception is not granted, would you project the estimated
11 lost of reserves resulting in waste?

12 A. 500,000,000 cubic feet.

13 Q. And what's the total depth of the proposed
14 well under the plan of development?

15 A. 5,215 feet.

16 Q. Which will include all formations and be
17 consistent with the well work permit?

18 A. Yes.

19 Q. Is the applicant requesting that this
20 location exception cover conventional gas reserves to include
21 the designated formations from the surface to the total depth
22 drilled?

23 A. Yes.

24

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1 Q. Mr. Hall, in your professional opinion,
2 would the granting of this location exception be in the best
3 interest of preventing waste, protecting correlative rights,
4 and maximizing the recovery of the gas reserves underlying
5 the unit for V-4779?

6 A. It would.

7 JIM KISER: Nothing further of this witness at this
8 time, Mr. Chairman.

9 MASON BRENT: Any questions from the Board of this
10 witness?

11 (No audible response.)

12 MASON BRENT: Any questions from the staff?

13 (No audible response.)

14 MASON BRENT: Okay, you may proceed.

15 JIM KISER: We'd ask that the application be
16 approved as submitted.

17 MASON BRENT: Do we have a motion for approval?

18 DENNIS GARBIS: I make a motion for approval.

19 MASON BRENT: Okay, we have a motion. Do we have a
20 second for approval?

21 MAX LEWIS: I'll second.

22 MASON BRENT: A motion and a second. Any further
23 discussion?

24

1 (No audible response.)
2 MASON BRENT: Any discussion?
3 (No audible response.)
4 MASON BRENT: All in favor of the motion to approve,
5 signify by saying yes.
6 (All members signify yes.)
7 MASON BRENT: Opposed?
8 (No audible response.)
9 MASON BRENT: Okay, we have approval.
10 DON HALL: Thank you.
11 JIM KISER: Thank you.
12 CLYDE KING: I'd like to comment, Mr. Chairman, what
13 a good map. Consol needs to do it that way. These boys have
14 got a nice map.
15 DENNIS GARBIS: Very pretty. (Inaudible) substance
16 and not form.
17 MASON BRENT: Okay, we will reconvene agenda
18 item---.
19 SANDRA RIGGS: Six.
20 MASON BRENT: ---number six. We had held this off
21 in hopes that Mr. Keuling-Stout would arrive. But he has
22 not. So, we will proceed.
23 CLYDE KING: Six?

24

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1 SANDRA RIGGS: EH-108.
2 (Board members confer among themselves.)
3 JIM KISER: I had talked to him in relation to P-308
4 yesterday and he indicated that he was going to be here to
5 me. He's involved in that one, too.
6 SANDRA RIGGS: His letter indicates that he has two
7 applications pending. One for P-308 and one for EH-108 for
8 disbursement of funds that arose out---.
9 JIM KISER: Right. And Equitable's involved in---.
10 SANDRA RIGGS: ---of the same quiet title action.
11 JIM KISER: Right.
12 SANDRA RIGGS: The same clients.
13 JIM KISER: Right. I thought he told me that he
14 contacted someone and said that he wanted both of those
15 continued.
16 SANDRA RIGGS: He wrote a letter requesting a
17 continuance.
18 JIM KISER: Okay.
19 SANDRA RIGGS: And said he would be here today.
20 JIM KISER: Oh.
21 CLYDE KING: Was it continued until today?
22 SANDRA RIGGS: It was continued last month and
23 carried over until today.
24

1 (Board members confer among themselves.)
2 DENNIS GARBIS: Mr. Chairman?
3 MASON BRENT: Hold on one second.
4 (Board members confer among themselves.)
5 CLYDE KING: Maybe he's in New York. He has got an
6 office in New York.
7 MASON BRENT: Mr. Garbis?
8 DENNIS GARBIS: Yes. I noted in his letter from May
9 the 2nd that he intended to be here. It says, "I, therefore,
10 again respectfully request that the Board at its meeting on
11 May 15, 2001 for me on behalf of Glen and Harry Henderson, on
12 behalf of Pine Mountain Oil and Gas (inaudible) updated
13 tract." Then he goes on to say, "I do plan to attend the
14 Board's meeting on May 15, 2001 to speak to issues raised in
15 this and my first letter to you." So, if he has some issues
16 to raise, I believe it would be prudent to continue this
17 matter.
18 MASON BRENT: Okay, we have a suggestion to
19 continue.
20 MAX LEWIS: I make a motion we continue it.
21 DENNIS GARBIS: I second.
22 MASON BRENT: A motion and a second to continue it
23 to June, is that what your motion should state?
24

1 MAX LEWIS: To June...to June.

2 DENNIS GARBIS: Correct.

3 CLYDE KING: I have a question, Mr. Chairman.

4 If...do we notify him that he's supposed to be here? We do,

5 don't we?

6 DENNIS GARBIS: It states in his letter, he knew in

7 his letter that he was to be here.

8 CLYDE KING: Yeah. Uh-huh.

9 MAX LEWIS: Yeah, but continue it.

10 CLYDE KING: Without any comments at all from

11 him---.

12 JIM KISER: Maybe he went to the 4-H Center.

13 SANDRA RIGGS: This is a disbursement of funds from

14 the escrow account on behalf of his clients. I don't know if

15 you've seen his latest letter and we have the accounting that

16 was provided by Virginia Gas.

17 (Board members confer among themselves.)

18 MASON BRENT: We have a motion and second to

19 continue it until June. We will take a vote on that motion.

20 All in favor of continuing this item until June, signify by

21 saying yes.

22 (All members signify yes.)

23 MASON BRENT: Opposed?

24

1 (No audible response.)

2 MASON BRENT: It's continued until June. I believe
3 that finishes up our agenda for today. I'd like to thank you
4 all for putting up with me today.

5 CLYDE KING: You did good.

6 DENNIS GARBIS: You did very well.

7 MAX LEWIS: You did a good job there.

8 DENNIS GARBIS: We'll have to give you a round of
9 applause.

10 (Applause.)

11 CLYDE KING: Here, here.

12 MAX LEWIS: They don't call you James Mason for
13 nothing.

14 CLYDE KING: The substitute chairman.

15 MASON BRENT: I thank you all.

16

17 STATE OF VIRGINIA,

18 COUNTY OF BUCHANAN, to-wit:

19 I, Sonya Michelle Brown, Court Reporter and Notary
20 Public for the State of Virginia, do hereby certify that the
21 foregoing hearing was recorded by me on a tape recording
22 machine and later transcribed by me personally.

23 Given under my hand and seal on this the 6th day of

24

--

1 June, 2001.

2

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NOTARY PUBLIC

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5 My commission expires: August 31, 2005.

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